happiest minds
The Mindful IT Company
Born **Digital** . Born **Agile**

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May 12, 2023

Listing Compliance & Legal Regulatory
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Stock Code: 543227 & 974728

Listing & Compliance
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai 400 051
Stock Code: HAPPSTMNDS

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on May 08, 2023

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed the transcript of the Earnings Call held on May 08, 2023, post announcement of financial results of the Company for the quarter and financial year ended as on March 31, 2023. The transcript is also uploaded on the Company's website (https://www.happiestminds.com/investors).

This is for your information and records.

Thanking you,
Yours faithfully,
For **Happiest Minds Technologies Limited**

DARSHANKAR
PRAVEEN KUMAR
Digitally signed by DARSHANKAR PRAVEEN KUMAR
Date: 2023.05.12 22:01:36 +05'30'

Happiest Minds Technologies Limited

Praveen Kumar Darshankar
Company Secretary & Compliance Officer
Membership No. F6706

"Happiest Minds Technologies Q4 FY23 Earnings Conference Call"

May 08, 2023

MANAGEMENT:	**MR. ASHOK SOOTA - EXECUTIVE CHAIRMAN** **MR. JOSEPH ANANTHARAJU – EXECUTIVE VICE CHAIRMAN & CEO (PES)** **MR. VENKATRAMAN NARAYANAN – MD & CFO** **MR. RAJIV SHAH – PRESIDENT & CEO (DIGITAL BUSINESS SERVICES)** **MR. RAM MOHAN – PRESIDENT & CEO (IMSS)** **MR. AUROBINDA NANDA – PRESIDENT (OPERATIONS) & DEPUTY CEO (PES)** **MR. SHRIDHAR MANTHA – CTO** **MR. SUNIL GUJJAR – HEAD OF INVESTOR RELATIONS**
MODERATOR:	**MR. MUKUL GARG- MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good morning and welcome to Happiest Minds Technologies Q4 FY23 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mukul Garg from Motilal Oswal Financial Services Limited. Thank you and over to you, sir.

Mukul Garg: Thank you, Tanvi. Good evening everyone, and thanks for joining us today on the Q4 FY23 Earnings Call of Happiest Minds Technologies Limited.

On behalf of Motilal Oswal, I would like to thank the Management of Happiest Minds for giving us the opportunity to host this Earnings Call.

Today we have with us, Mr. Ashok Soota - Executive Chairman, Mr. Joseph Anantharaju – Executive Vice Chairman & CEO (PES), Mr. Venkatraman Narayanan – MD & CFO, Mr. Rajiv Shah – President & CEO (DBS), Mr. Ram Mohan – President & CEO (IMSS), Mr. Aurobinda Nanda – President (Operations) & Deputy CEO (PES), Mr. Shridhar Mantha – CTO, Mr. Sunil Gujjar – Head of Investor Relations.

I would now like to hand over the call to Sunil for 'Safe Harbor Statement' and to take the proceedings forward. Thanks, and over to you Sunil.

Sunil Gujjar: Thank you, Mukul. Good evening to all participants in the call. Welcome to this Conference Call to Discuss Financial Results for the 4th Quarter and Year Ended March 31st, 2023. I am Sunil, Head of Investor Relations.

We have published our 'Financial Statements, Quarterly Fact Sheet and Press Release' onto your website. Please have a look at it.

The agenda for this call is as follows:

Ashok will begin the call by sharing his perspectives on the 'Demand Environment and our Results'. Venkat and Joseph will then speak about our 'Financial Performance and Operational Highlights' after which we will have the floor open for Q&A.

Before I hand over, let me begin with the safe harbor statement:

During the call, we could make forward-looking statements. These statements consider the environment we see as of today and carry a risk in terms of uncertainty because of which the actual results could be different. We do not undertake to update those statements periodically.

Now let me pass it on to Ashok.

Ashok Soota: Thank you, Sunil. Thank you Mukul and Motilal Oswal for hosting this call. Good evening to all participants in this call.

I am pleased to announce that Happiest Minds has delivered outstanding results for FY23, with 23.7% revenue growth in constant currency and 26.2% EBITDA margin. We have missed our revenue growth target by 1.3%, mainly due to the right-shifting of some Q4 revenues. This has been compensated by delivering EBITDA margin of 26.2% exceeding the upper band of guidance of 22% to 24%.

In view of our strong business pipeline, we are also planning a record addition of 1,300 people. Accordingly, we are retaining our FY24 revenue guidance growth of 25%.

While Joseph and Venkat will provide you details of our Results, I want to provide you a perspective on our Results in context of the Indian IT industry and where Happiest Minds is today.

Many of the larger companies with whom we benchmark ourselves have reported sharply lower guidance for FY24 and reported ramp downs in accounts. We have been able to sustain our growth guidance because of a very strong pipeline. The challenge, of course, is of a different order. If you look at a $10 billion company to grow at just 5%, it has to create more than one Happiest Minds. At our size of about $200 million to grow at 25%, we need only $50 million of new business. And this is something which we see well within our reach considering our pipelines.

I should also highlight that we've been able to sustain #1 or #2 position in comparison with all our peers on EBITDA percentage, growth percentage, or on an index of EBITDA plus revenue growth on year-over-year basis.

This year we have chosen the highest levels of corporate governance as our theme for our integrated annual report. At Happiest Minds, we established corporate governance practices well before the Company was listed in 2020. Fundamentally, striving to function like an exemplary public entity since our inception, we have been able to achieve benchmarks. As part of our vision to be known for the best corporate governance standards, we have made continued strides to deploy leading-edge technology for the dissemination of information and educating our stakeholders. Through this we've been able to drive sustained growth and also build a reputation for transparency and disclosure, which is higher than anybody else in the industry.

I would like to highlight a few of the recognitions we have achieved for corporate governance and the awards, which have been conferred on Happiest Minds:

- Golden Peacock Award for 'Excellence in Corporate Governance'.

- 2022 ICSI 'Best Governed Company' in listed segment for the medium category.
- ICAI for 'Excellence in Financial Reporting'.

You can see we've made virtually a clean sweep of all of these, and Happiest Minds stands for excellent corporate governance, and this is a triple confirmation of our disclosure, transparency, and governance practices.

Venkat was recognized by CII as a Leading CFO for the Year 2022 at their 'CFO Excellence Awards'.

I was humbled on being conferred ICSI's 'Lifetime Achievement Award for Corporate Governance'. I have accepted this on behalf of all the Happiest Minds who have helped me to create this great institution.

In addition, the other area where we are continuously recognized is in 'Great Places to Work', which Joseph will tell you about.

To conclude:

Happiest Minds growth was broad-based with all our business units, operating geos and Centers of Excellence delivering excellent results. These results were enabled by the contribution of our delivery teams, technology, domain groups and the support of all of our corporate functions under the leadership of our Executive Board.

With this, I conclude my commentary and pass it on to Venkat.

Venkatraman Narayanan: Thank you, Ashok. Thanks Mukul and Motilal Oswal Team for hosting us on this call. A very Good Evening to all and in the next few minutes, I'll take all of you through some of our 'Financial, Operating and Business' highlights.

For the year, our operating revenues have grown about 24% in constant currency. This was slightly lower than the 25% guidance we had provided at the beginning of the year. A surge in vacations in Q3 and a right-shift in revenues in Q4 were the primary causes for this.

Coming to profitability:

This is the 12th successive quarter where we have delivered EBITDA of more than 25% and 26% for the quarter and 26.2% for the year. We have beaten our guidance of 22% to 24% handsomely.

Looking ahead for FY24, as mentioned by Ashok, we are guiding on a revenue growth of 25% and EBITDA continues to be in the range of 22% to 24%. We are looking at a good Q1 based on our deal closures and healthy pipeline.

Coming to the specifics on the quarter and the year:

For the quarter, we reported revenues in dollar terms of $45.9 million. In constant currency revenues that was a growth of 1.3% and a year-over-year growth of 17.6%.

In rupees, total revenues were Rs. 386 crores, a growth of 3% sequentially and 24.5% year-over-year, EBITDA stood at Rs. 101 crores and that was 26% of revenues while showing a year-over-year growth of 23.3%. We've been able to maintain a strong EBITDA profile while taking an increase in people costs and absorbing campus joiners and trainees into our fold. Our EBITDA numbers continue to place us amongst the top league of comparable companies. PBT was Rs. 79 crores that was 20.4% of revenues, while PAT was Rs. 57.6 crores and 14.9% of our revenue.

Our cash conversion ratio continues to be strong as in the earlier quarters, we generated free cash flows of Rs. 99 crores, which is about 99% of EBITDA.

During the quarter, we raised debt through the issue of non-convertible debentures to the extent of Rs. 45 crores and we have a pipeline totaling another Rs. 80 crores which should be done before the end of this quarter.

On our QIP, our Board and shareholder approvals are valid till October 2023 and efforts on that front continues and we'll keep you updated on that progress.

Finally, our results for the quarter include that of SMI, the Company we acquired in January 2023:

For the year operating revenues were $178 million, showing a growth of 24% in constant currency. Operating revenues in rupees showed a growth of 31%. Total income was Rs. 1,450 crores, showing a growth of 28.3%. We closed the year with an EBITDA of Rs. 380 crores, which was 26.2% of total revenues showing a growth of 29%. As mentioned earlier, we continue to be the top league of comparable companies on this metric when taken on a yearly basis as well. PBT for the year was Rs. 310 crores. This was 21.4% of total revenues showing a growth of 26%.

Finally on PAT for the year, we closed with Rs. 231 crores and 15.9% of revenues showing a growth of 27.5%.

Diluted EPS for the year was at 16.01, showing the growth of 27.5%.

Coming to our capital return ratios, they are comparable with the best in the industry. Return on capital employed and return on equity were 33.1% and 28.1% respectively. We ended the year with cash and cash equivalents of Rs. **790** crores and our billed DSO was at a very healthy 54 days.

As briefly mentioned earlier, during the quarter, we acquired 100% equity interest in Sri Mookambika Infosolutions Madurai. SMI (Sri Mookambika Infosolutions) brings in deep domain capabilities in and around our Healthcare vertical and aligns very well with our Product Engineering business (PES) and not only that, it also takes us into Tier-2 locations of Madurai and Coimbatore.

During the year, we increased our capacity across our offshore delivery centers in Bangalore, Noida, Bhubaneswar and Madurai. In the US, we added 2 new offices, in New Jersey and Seattle. We ended the year with 237 customers. That was a net addition of 31 for the year. Our average revenue per customer for the year was $803,000, which has been consistently moving up and it was about $630,000 a couple of years back. This is a steady increase, and this is a testament to our 'Land-and-Expand' strategy.

Our total headcount at the end of the year was 4,917 and net additions for the year was 749.

Our utilization for the quarter was at about 74.6% compared to the 80.1% in Q3. As we had mentioned, we had onboarded 250 campus joiners. They have become part of our billable workforce and that was the main reason for this drop on a QoQ basis. For the year, our utilization is at about 78%. As we had mentioned in earlier calls, we were running at the high-80% and we would like to typically be in the range of about 77% to 78%.

We are seeing an easing in the supply side constraints and attrition on a trailing 12-month basis has dropped to 19.8% compared to 22.7% in the previous year. We expect this number to further trend downwards.

Happy to state that keeping in line with our progressive dividend policy and capital allocation discussions, our Board of Directors of the Company at their meeting held today have recommended a final dividend of Rs. 3.40 per share subject to shareholder approval. This would take our total dividend for the year to Rs. 5.40 per share.

Looking ahead, We will continue to make investments in our people and capabilities. We'll be adding about 450 campus graduates this year. We'll continuing to expand our delivery centers in India with an immediate focus on Pune and Noida.

Thank you all for your continued support and we look forward to the same during the year. Over to you, Joseph.

Joseph Anantharaju: Thanks, Venkat. Thanks Mukul and Motilal Oswal for hosting this call. Good evening to all of you.

As can be seen from the numbers, overall, we had an excellent year as reflected in our broad-based growth across our business units, Centers of Excellence and focus markets. The numbers reflect our continued ability to operate on our strengths and to position Happiest Minds as a 'Trusted Partner' for our customers' strategic initiatives.

We had our first $20 million customers created in this current quarter. Our total clients in the $5 million to $10 million group have increased by 2 to a total of 6 and in the $1 million to $3 million category, we have an increase of 5 which takes the number to 13. These metrices validate our effective 'Land-and-Expand' strategy. Our Internal Customer Satisfaction Survey showed a Net Promoter Score of 60 and an overall satisfaction level of 7.86 on a scale of 9. We believe these numbers to be in the Top-Tier among comparable companies. The results of this survey indicate our efficient and quality delivery, engineering excellence and prudent account management practices.

On the people front, we are also delighted to be recognized by the 'Great Place to Work Institute'. For the second time in a row, Happiest Minds was recognized among the Top 10 India 's 'Best Workplaces in Health and Wellness 2022'.

We continue to receive recognition from GPW as one of 'The Most Attractive Employers'. We were named among the 'Top 25 India 's Best Workplaces' in IT and IT/BPM 2022 and Top 50 'India 's Best Workplaces for Women 2022. These recognitions, along with the Excellent Customer Survey result, reflects the commitment of each and every Happiest Minds to our vision of 'Happiest People, Happiest Customers'.

I will now talk a little bit about some of our wins during the reported quarter:

For a large EduTech company which supports learners and institutions, we were chosen as a strategic partner to provide a broad range of digital engineering services. In the reported quarter, a large loyalty program provider in the ANZ region chose us to provide consulting, support and implementation services to enhance security and privacy environments around their data and cloud. We are being chosen to provide engineering services leveraging 5G for the connected card program of an Indian headquartered global automotive company. We continue to make investments in technologies which are either becoming mainstream or will become mainstream in the next 2 to 3 years. These include – Generative AI and ChatGPT, Metaverse and Web 3.0, Analytics, and AI, Low-Code/No-Code Applications and Quantum Computing. We believe that ChatGPT and Generative AI will be transformative and offers huge potential and opportunity for technology service companies like us and to our customers. We have initiated a taskforce under our CTO to look at building solutions and ChatGPT and develop used cases for different verticals are already in discussion with multiple customers to help them leverage this technology.

On the Environmental, Societal and Healthcare commitments front, Happiest Minds sponsored 1.9 million meals for school children under the Akshaya Patra Program during the year. Since our inception, we have contributed 6 million meals.

We also partnered with an environmental agency to Plant 163,000 tree saplings. Happiest Minds also partnered with an NGO to extend medical support to underprivileged young children between 1 to 15 years of age, battling Type-I Diabetes.

I'll talk a little bit about the current demand environment:

During the quarter, we saw an improvement in business sentiment as customers digested various macroeconomic and geopolitical factors into their plans and budgets. Decision making that typically would have happened in December around budgets got pushed out into Jan-Feb, resulting in revenues getting right-shifted as pointed out by Ashok.

Our pipeline exiting Q4 is very strong with several large opportunities in an advanced stage of the sales life cycle. We have already seen a couple of large deal closures in the first half of April, leading to a good start to this fiscal year. The areas where we are seeing spend are all strengths of Happiest Minds – migration to cloud, modernization of legacy applications and platforms, monetizing data by building customer data platforms and applying analytics, AI to turbocharge analytics initiatives, automation of various processes to extract cost savings and leveraging IoT to increase connectivity and data collection.

With this, I conclude my commentary and open up the floor to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vimal Gohil from Alchemy Capital. Please go ahead.

Vimal Gohil: Congratulations on an excellent quarter and very heartening to see the guidance. The first question is on the guidance itself. If you could just highlight, out of this 25%, how much of that will come from inorganic initiatives. If I were to look at the ask rate that comes very close to 8% every quarter. So, just wanted to get a sense of any inorganic acquisition that are being built in. I have one more question after that. Thank you.

Ashok Soota: Sure. Vimal, thanks for your question. One thing I should clarify that even if you see the year which has just gone by, 98% of our growth has been all organic. So, when we give guidance, we really in a way stick out our neck and say whether we do an acquisition or don't do an acquisition, we'll achieve that. So, the current guidance is based on the fact that we have got a good pipeline and therefore we expect we'll achieve the number. Does it mean there will be no acquisition which will happen? Maybe, but we can't factor that in because acquisitions are uncertain. They are very lumpy and you don't know when you'll do a deal. We haven't done much, as you know, in the last 3 years. In one sense, we can congratulate ourselves because valuations have come down and we'll get cheaper opportunities. But we are very selective and therefore in that process when we get the acquisition, we'll achieve it. If we do or we don't do our guidance remains 25%.

Vimal Gohil: One of your closest peers, on Friday highlighted the discretionary spends almost drying up with some of their clients and the industry. How do you look at that environment because your guidance clearly indicates that there is no dearth of work. So, there are two very, very opposing views and the market for cost takeout projects seems to be heating up, how are we positioned over there?

Ashok Soota: I will pass this to my colleagues to answer, but I think the essence of this is follows. 1) We are not seeing any decline. The growth is available to us. 2) We're in a digital business. It's not that we don't do cost takeouts for our customers, but we are transforming their businesses at all times. 3) To be a little humble about it is to say that 'look, the challenge of a $10 billion company to grow it even 10% or 5%, means virtually growing another Happiest Minds'. We've got to get only $50 million of business. With our organization with our field force, with our leaders, with our CoEs, with all of them, I see that we have no difficulty in getting to that capability and level. So, I can get both Joseph and maybe Rajiv to add to that.

Joseph Anantharaju: Just couple of additional points, Vimal, the first point is what we are seeing is that the areas that we are working on the digital initiatives of our customers, they're not discretionary anymore. They are core part of the technology that they use to deliver services to their customers, to engage with their customers or to provide services to their employees and therefore they need to sustain these platforms, these applications, that they've already built and it's not discretionary in nature. And the second is as I highlighted in my commentary little earlier, we've seen a good build up in pipeline in Q4 and as we speak in the first half of April, we had a couple of closures which are already contributing significantly to the Q1 growth and we see the pipeline moving faster than it did maybe in Q3 or the earlier part of Q4, which is giving us the confidence to provide this guidance.

Rajiv Shah: Vimal if you look from the industry perspective, customers are looking for two ways of managing their business. One is their revenue growth and the second one is becoming more profitable and within that context, I think that we do implement digital-ready platforms to help them become operationally efficient to take out the cost and give you an example that we have invested significantly in the 'Low-Code/No-Code' environment and we have grown quite a bit over the last year. Now that helps them with getting their platform built faster, at the same time, helps them reduce their long-term maintenance cost as well. So, from that perspective, there is a cost take out play that you can talk about, but it's becoming more and more efficient. At the same time the spending itself is also getting reprioritized, for example in BFSI sector, while there was more focus on risk and compliance, it is moving more into risk and control. So, there is more and more operational risk. There is credit risk, etc., the spends are going up in that segment as well. So, overall, we continue to see growth as Ashok, Joseph, Venkat had highlighted. The pipeline is strong, and we continue to make impact in the customer environment to help them grow their revenue at the same time become more efficient.

Moderator: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal. Please go ahead.

Mukul Garg: Just follow up to Vimal 's question. When we are talking about the demand environment, you mentioned that there was a bit of a right-shifting which happened this quarter. Any sense whether that is something which is more industry-specific and also in terms of the pipeline which you are seeing, are you seeing different kind of client behavior across industries? So, it was a bit surprising to see your growth in Hi-Tech this quarter because that's one area where a lot of companies are highlighting concerns. So, if you just give some sense on how we should think about different industries moving forward?

Ashok Soota: I'll again begin this and pass it on to my colleagues. The first thing Mukul is that after all, what is the right-shifting we are talking about it is really 1%. We are that close to our guidance for the year and that's literally because as the year began, a few entities have not cleared their budgets or frozen their budgets and therefore not released new orders. It's nothing dramatic in terms of saying, 'hey! there was a downturn, or some segment is slowing down', it has nothing to do with any of that. You will see this reflected in the fact that we are sustaining our guidance for FY24. We don't give quarter-wise guidance, but again, hopefully you'll see numbers which might reflect a little bit to that right-shifting also there. Now with these small details, I think I'll pass it over to Joseph and Rajiv.

Joseph Anantharaju: About your question on whether there's anything specific industry wise and some of the revenues or opportunities that got moved out or delayed. They cut across industry, so I really wasn't able to draw any correlation to a specific industry. I think it was more of customers waiting till the last minute to make sure that they're factoring all the factors that are out there and developments into their budgetary decisions. I think that's what was driving this.

Rajiv Shah: As Joseph said, I think that we haven't seen any specific incident of any industry segment that has shifted. I think it couple of examples that I can provide is that one of our customers had a delay in launching their own platform, which affected us and really going after and implementing in some of the customer environment and that has nothing to do with budgetary constraints but at the same time, they wanted to include some of the newer technology tools in their newer platforms and that just delayed some of the revenue recognition that we were planning to get as well. So, overall, there is no shift.

Ram Mohan: Even in the case of infrastructure and security, that's what we have seen. We have seen a couple of right-shifts but that has got nothing to do with any business environment or market situation. It is more on the timing of the RFP. There was some delay in the RFP, there was some delay in terms of the meetings which our customers had in terms of deciding on the RFPs. So, those were the reasons what we are saying, a right shift and it has got nothing to do with the market condition, at least on the Infrastructure and security side.

Joseph Anantharaju: And just talking about Hi-Tech, as Venkat pointed out SMI is aligned with Product Engineering Services and most of the revenue is in the Hi-Tech segment which has contributed to the increase in the Hi-Tech segment. Otherwise, you would have found the numbers to be consistent with the other verticals.

Mukul Garg: And just a follow up to this, is it fair to imply, given your excellent guidance that the visibility on the demand side continues to remain as strong as what you guys have been seeing for last two years again the associate addition and the plan seems to indicate that the visibility is quite good, but would love to hear some thoughts on how the demand visibility is out there?

Joseph Anantharaju: If you look at the demand environment as I said it continues to be promising and strong and what is giving us the confidence to provide this guidance is that many of the deals that we have closed in the pipeline are quite large in size and spanning across quarters which ensures that we have visibility of revenues into the entire year and if you continue converting some of the opportunities that we have it will contribute to this growth that we have, that we have been talking about.

Rajiv Shah: Again, on the demand side we have not seen much of a drop. If you look at how we approach the customer it is about helping them put together a proof of concept, start with the consultative engagement, help them really drive the outcomes and everybody in the customer environment that we have today continues to look at what business outcomes are we driving and from that perspective I think that we have not seen much of an impact from the demand market and that is why we are quite optimistic about guidance that we have provided as well.

Mukul Garg: And my second question was on the sales investment side there was a slight moderation in this quarter, how should we think about investment into SG&A for FY24 especially given the aim to deliver a 25% growth in a tough year are you still penciling in a 22% to 24% operating margin easing of from this year is more because of the growth aspirations or is it something which will stay around credit levels?

Venkatraman Narayanan: No, the 22% to 24% has been the guidance that we have given over the last two years, and we are holding on to it. As I have been mentioning the year before last it was COVID and we had credits and that came as a good surprise. Last year we had a benevolent exchange rate scenario between the US dollar to rupee which helped us. Right now, we have considered that both have kind of played out to its full. We have taken into account those factors and also the investments that like you said that need to be made in technology competence and as required in domain heads and that is why we are still maintaining the 22% to 24% guidance while obviously the intent is to continue to do better.

Rajiv Shah: I will just add one more point. If you look at the last six months, we have added quite a bit of sales capacity and capability in the US markets. So, we are hiring significant number of hunters in the US market. We continue to add more and more capabilities to our business analyst community as well and we continue to enhance our technology architecture pool as well. We continue to look at all aspects of how we really approach the customer and how do we really put together a value proposition for us to convert the deal.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: I just had two data related questions, how much SMI acquisition has contributed in Q4 and how many employees get added because of the transaction?

Venkatraman Narayanan: About $2.4 million of revenues has come from the SMI acquisition for the quarter. As Ashok mentioned 98% of our business is organic and it is less than 2% which has come from SMI for the quarter. On the people side, we have added 356 people including the non-billable people also to our headcount from the acquisition.

Dipesh Mehta: Organic number appears to be weak even on YoY basis. Your revenue growth likely to be slipping to closer to double digit around 10 odd percentage, so just want to understand now if one look organic performance seems to be slowing down now you are guiding for acceleration in organic revenue growth, so can you provide what is changing compared to last couple of quarters?

Venkatraman Narayanan: So, if you look at how Q3 went, we had clarified that was due to vacation impact which had come in. So that was one impact and then when we came to Q4 it was that right shifting which has happened which is what Ram, Rajiv and Joseph talked about. So, we made up a part of that through the numbers that have come from acquisition of SMI. We had mentioned that 25% growth guidance for the current year was fully organic. We had said that we did not have anything in the earlier quarters, we did not have any acquisition on our radar. So, we hold it as growth from either way, and at the end of the quarter there came this nice acquisition which fitted very well into our business and that is how we went ahead and closed that. So, that is same reason why I talked about how our Q1 pipeline looks like now as we stand in May that gives us the confidence to give us an outlook for Q1, Q2 and for the year.

Ashok Soota: Also, the key thing to remember is that we are saying our guidance is quite irrespective of whether we do an acquisition or we do not do because we cannot predict that and If we make an acquisition, that may change the numbers. If we do not get it, then we should still target to get 25% without that.

Moderator: Thank you. The next question is from the line of Dinesh Kudache from Technowell Web Solutions.

Dinesh Kudache: I have one little question about assessment utilization percentage in Q3 23 it was 80.1% whereas in Q4 23 it is now 74.6%, can you please put some light on it?

Aurobinda Nanda: So, we hired around 300 trainees last year. They came in and joined us in the months of August and September. They were backed as trainees and their training got over in the month of December, so they were not counted under billable utilization. They moved into Billable people for Q4 and that is why there was a drop in the utilization numbers.

Moderator: Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

VP Rajesh: My first question is more of a clarification, so when are you guiding for 25% revenue growth in fiscal year 24, should we just assume that is going to be organic and anything that comes on top from an acquisition or more of those that will be on top of that?

Ashok Soota: No, we are being silent on acquisition, which means we are saying we want to make a commitment to the market. We do not know whether we will do an acquisition, or we would not do an acquisition, but we will commit the 25%. So, I think that is the exact statement.

VP Rajesh: And then given the confidence you have around this guidance, are there any lumpy deals in your pipeline that is driving this guidance?

Joseph Anantharaju: So, as I mentioned earlier Rajesh, we have seen a buildup in the pipeline as the quarter progressed Q4 and this has continued into Q1. We had several closures as pointed out in our press release as well as I mentioned earlier all in areas that customers will need to sustain for a long period of time, we are helping them with some of the core digital platforms and which gives us a long term visibility and again as I mentioned we have already had a couple of closures from the pipeline that we had in the first half of April that will provide significant revenues in Q1 itself and we have visibility all the way to the year on these projects and initiatives. The conversations, the kind of opportunities or needs that they have been discussing with us have given us the confidence to commit to a 25% guidance.

VP Rajesh: But my question was slightly different what I was trying to understand is that if there are a few large deals which are driving this growth guidance or this is like business as usual, lot of small and medium sized deals in the pipeline which is giving you the confidence that is what I was trying to understand?

Joseph Anantharaju: We do have several large deals, one of them closed in Q4, couple of them have closed in the first half of April and we are in the process of ramping up all of these opportunities and that is what is giving us the visibility to provide this guidance along with the usual business deals that we are getting.

VP Rajesh: And last question is on the margin now that the cost pressures are seem to be coming down in the industry, so your guidance of 22% to 24%, are you sort of making any investment, is that how you have been concentrating on the guidance because if you are going to grow at 25% one would expect that your margins will also expand.

Venkatraman Narayanan: While there is an overall improvement in the attrition and people and supply scenario, we work on specialized technologies and there is a demand for those people. Maybe earlier Mr. X would have had five offers but today he is having two offers. That is the way I would look at it. So, for good people there is I think a good demand and the other thing is when things get a little murky in the market people also tend to stick on and not move, then you need to do that much more of work to get them to move and these are the reasons that really come into play when you are discussing compensation with prospective candidates. So, that continues to be similar to the last year. This year we are also adding 450 campus joiners. It was 250 including trainees last year, and this time it will be 450 plus another 50 trainees, that will be about 500 people. So, we are going to stick to those commitments, and we will continue to honor them. So, if you look at it really there is a good pipeline which also means that we will have to look for those people who can help us deliver our commitments to our customers and that will mean that cost pressures may not be as bad as it was maybe a couple of quarters back, but it is going to be there. Dollar versus Rupee there was a depreciation of almost 8.4% last year. So, that is not going to come through this year. So, we will have to plan for that as well.

Moderator: Thank you. The next question is from the line of Sumeet Jain from ICICI Securities. Please go ahead.

Sumeet Jain: So, actually first question is on your guidance, can you quantify the size and the nature of the deal what you have won which is giving you the confidence of a strong growth in Q1 because typically whichever companies are supported till now, all of them have been guiding for a significantly weak Q1 because of the banking crisis and the various other reasons we are seeing at the macro level, so can you quantify the nature of the deal what you have gone in which area it is and how it will impact, which industry or which service line basically?

Ashok Soota: I think the way to answer this one is by taking companies who have been dealing with the traditional banking industry. they are the ones who got most impacted because the whole environment there has slowed down and there is a lot of cautiousness. Now we are lucky that none of them were our customers. Another type of environment which is affected are some tech companies, but our tech growth is very strong and has always been for that matter. We did not have, for example, Twitter as an account. Now when you look at it, I would say it was the absence of negatives because other than that we are not projecting anything different from the past. We are saying we grew 24% last year, we will grow 25% this year and the overall pipeline is strong. It is really continuing to grow in the segments where we are strong, increasing our presence in segments which we were not relatively strong. Healthcare is one such area. So, it will suddenly appear on the radar as a specific industry which we will start reporting on. It is things like this which are adding to the momentum and giving us the confidence to say that we can sustain these numbers on a larger base.

Rajiv Shah: I think that our whole strategy has been 'Land-and-Expand'. So, 92% of our business comes from repeat customers and based on where our customers are and where their spend, desire as well as the initiatives they have, I think that gives us a good visibility going forward as well.

Sumeet Jain: And what risk do you see to this guidance if the macro situation deteriorates in US or Europe particularly, do you think there will be any risk to this guidance going forward or probably in the second half and also how are you factoring in the growth during the quarter, are you seeing a ramp up in the second half of the year because at least all your competitors who are more banking focus or maybe hi-tech focused are clearly guiding for a ramp up in the second half after a slowdown in the first half, so are you also factoring in any pickup in the second half or is it going to be a steady growth every quarter?

Venkatraman Narayanan: Sumeet the way to look at it is repeat business at 92% continues to be strong. So, like Ashok mentioned the 25% growth would be exited with about $177-178 million which is about 42-43 million dollars in terms of additional business that needs to come. So, you are looking at $10-12 million coming from new business and about $30 million coming in from your existing customers and pipeline. So, if you ask me about the risk, it will be with respect to our existing customers and something not going wrong with them because that especially will not give you time to quickly book, build and also recognize. So, that is the risk that we see because what is happening is we are looking at a Q1, we have looked at Q2. We know where our current pipeline is going to take us and where our customers will take us in the next two quarters and that is the confidence on which this 25% number has been given out. So, if you ask me what is the risk, it is customer specific because you got four $3 million customers and one $20 million customer, six number of $5 million plus customers and we are in discussion with them and constantly building up our supply to meet their requirements. Like Ashok mentioned in hi-tech, one large company if they had Twitter as an account, as a customer if that goes down South it is going to impact you and there is an element of luck that have had until now. So, I was talking about this, when COVID hit our exposure to travel and tourism was 0.5% we thanked our lucky stars, but anyway after that came the next question of why aren't you in Ukraine, why aren't you in Eastern Europe. So, frankly we were looking at Europe and then suddenly Ukraine war happened,. So, again thanks to our lucky stars. Now last year the banking and the traditional BFSI got hit. We at about 10% and our business in BFSI is not a traditional banking, it is about mid-size banks or large sized banks, but they are looking to change the way they do banking and the way they digitize themselves to do better banking. So, this is not discretionary it has an absolutely required amount of work that needs to be done so we did not get hit. Third time lucky. These are things which we have to keep looking out. In our IPO document, the number one risk is obviously customer risk or geography risk or currency risk those are the risks we have to obviously keep in the back of my mind, but guidance typically does not take into account something which has not happened as of today.

Ashok Soota: Something untoward well there is always a high probability of one risk or the other coming and hitting you in this world that is a fact. Though you can't say that I can pinpoint that this will go wrong, for example, nobody anticipated COVID, nobody anticipated Ukraine war, nobody anticipated that all these banks will certainly fail and yet the probability of something happening is high that is true. So, we better always be aware and be nimble to act when such an event happens.

Joseph Anantharaju: Just adding a couple of additional points to what Ashok and Venkat mentioned. One is you talked about how many of them have the growth in the second half. So, we made sure that we have not backload our growth and that has been uniformly distributed with a little bit maybe front loaded actually because we wanted to make sure that we do not put too much pressure in the second half of the year. The other point is if you look at our percentage of India revenue is at 16%

among the highest of all Indian IT service companies and we are doing this business at a good margin and at the rates that we would like to do business at and this market is growing and there is quite a bit of demand out here. As we see cutting across the industry verticals because it is banking, whether it is industrial, manufacturing, pharma, there is fair bit of auto, there is fair bit of demand out here all of them are embarking on digital initiatives and we will focus more on India that will act as a de-risk to anything that happens in let us say Europe or in US.

Sumeet Jain: My second question is around your M&A strategy, so can you elaborate on your M&A strategy, will it be driven by scale or around capabilities or entering into a new geography, so can you please elaborate on that?

Joseph Anantharaju: So, we sat together as the executive board and came up with several criteria for our acquisition and we have said that we want to acquire a company that is mostly if not purely digital that is profitable. We do not want to get into a turnaround story and along with that we want to make sure that we get a strategic differentiator, we would like to get a company that would give us depth or capabilities in a certain vertical, in a technology where we are light currently or give us entry into a few large accounts in specific areas that we are targeted and that is what we are looking to do with each and every M&A candidate. We weigh against these characteristics, look at their profitability profile, the growth that they have had and then take a decision because we want to make sure that we get this right and do not have a drag on our performance.

Moderator: Thank you. The next question is from the line of Faisal Hawa from HG Hawa and Company. Please go ahead.

Faisal Hawa: So, sir we are giving a guidance of 25% in rupee terms, but in the last two to three years we are almost doing like 35% to 40% revenue growth, so are we being a little more conservative than necessary?

Venkatraman Narayanan: Yes, Faisal we are giving our guidance in constant currency in dollars, whereas it is the revenue in rupees which has been growing at 30%.

Faisal Hawa: Yes, but even rupee we are growing almost like 38-39% last one year.

Ashok Soota: Yes, that is true.

Faisal Hawa: So, you feel that with the rupee dollar equation being in our favor we could continue with that kind of a situation?

Venkatraman Narayanan: So, that would not happen, and we are not budgeting for it.

Faisal Hawa: And our capacity utilization of people is falling, so any trend that could be read into it or it has fallen?

Venkatraman Narayan: It has just fallen for this quarter.

Joseph Anantharaju: So, as Nanda had pointed out earlier, we inducted around 320 Happiest Minds from campus in August and they were undergoing training till Jan. So, they were not included in the billable headcount which we base our utilization on. These folks came into the billable headcount number in February and that is why you see the drop in utilization on the other hand what you see is over the next few months as we get these people billed, they would all contribute to revenue while the cost would remain the same which would give us a little bit of advantage or leverage from a margin perspective and also improve the utilization.

Faisal Hawa: And sir how do we see the opportunity of EduTech playing out because a lot of these players may not be now having the funds from VC or PE funds to really fund their further projects, so will that still continue because that is a fairly big segment of our revenues that is one and secondly sir we are getting projects from across the board and it is so many verticals, where do you see the big traction coming from?

Joseph Anantharaju: So, if you look at Edutech Faisal, we do not work with any of the startups and most of our customers except one and that too is a large B2B education provider who is based out of India and so therefore they are pretty stable from a financial perspective, we do not have any other customers in India and even in US we do not have any startups in the education space, they are all companies that are either public or owned by PEs and so the cash and other things are well funded. So, cash is not an issue. Many of them have been running strategic initiatives and I did mention a couple of them in my commentary about the wins that we have had they are pretty large wins actually, they are all significant wins and we continue to see a decent pipeline in this space because there is a lot happening actually, the way the expectation of students, what professors want on their systems and technology they have all of that is changing and so education technology providers have to keep adapting themselves as well.

Faisal Hawa: So, since we are one of the fastest adapters to new technologies, how fast do you feel that we can adapt to ChatGPT to automize most of our software solution then really let go of a large part of our workforce or retain them?

Joseph Anantharaju: That is not a feasibility right now. If you look at ChatGPT, there are maybe some industries where you could have them replacing people, but in the technology space it is more of an enabler and the productivity enhancer it will help make the life of a developer a little easier and help them look at some of the more complex challenges that they have, look at how to add more value to customers and ensure that the quality of whatever technology, core platform they build is better and that is the advantage that you will get from a technology perspective.

Faisal Hawa: So, are we already looking at retraining people to use ChatGPT as an enhancer and really cut down on the hours that we take to complete any kind of a project?

Joseph Anantharaju: As we speak, we have couple of task forces. One is looking at more of from a customer perspective how we can adopt this technology. We have a few POC and solutions that we built. We have identified use cases specific to each domain and we are in discussion with a few customers to help them adopt this technology and leverage it. From an internal perspective we have been looking at CodePilot and Codex which are more oriented towards the development environment to see how we can leverage these internally and maybe even for some of our customers to enhance productivity of developers, all this is work that is underway.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Sunil Gujjar for closing comments.

Sunil Gujjar: Thank you for joining us today. We thank Motilal Oswal Financial Services for hosting this call on our behalf. We look forward to interacting with you. You can reach out to us on ir@happiestminds.com. Have a good evening. Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Please Note: The transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.